

ALIGNING LEAN PRACTICES WITH ACCOUNTING PRACTICES

ABOUT SIMMONS MACHINE TOOL. In business for over one hundred years, Simmons Machine Tool Corporation manufactures specialized machine tools and automation systems that the railway industry uses for rail wheel set maintenance and production. The company is based in Albany, New York, and employs over one hundred people at its North Broadway facility, where it designs and makes wheel re-profiling machines, axle lathes, wheel boring machines, wheel and bearing presses, and other wheel shop equipment.

THE CHALLENGE. A typical Simmons machine takes between 3,000 and 8,000 hours to manufacture. Such labor-intensive work requires the company to be conservative in its pursuit of new business. As company leaders were updating the strategic plan, they were on the lookout for tangential business opportunities they could pursue with minor adjustments. They knew they only had capacity for one opportunity—not two or three—and decided to engage the Center for Economic Growth's Business Growth Solutions (BGS) for assistance in planning and prioritizing business growth. The Center for Economic Growth (CEG) is part of the New York Manufacturing Extension Partnership (NYMEP) and the MEP National Network™.

MEP CENTER'S ROLE. CEG recommended Simmons participate in the VIA Revenue Throughput Program (RTP), an initiative offered by BGS and Value Prop Interactive, a Pennsylvania-based consulting firm. RTP is designed to help manufacturers identify and hone in on revenue opportunities through a series of hands-on executive team engagements. The program addresses common obstacles to growth and provides a system for targeting opportunities so that companies do not have to rely on anecdotal evidence to drive decision-making.

The VIA RTP classes convinced Simmons leaders that the sales team needed to engage in more face-to-face interaction to better identify the changing needs of its customers in non-core market segments, particularly in South America. They also realized they were using the wrong pricing model, based on how other manufacturers were pricing similar equipment. CEG's Lean Finance & Accounting Workshop provided insight into how traditional performance metrics do not align with Lean practices, further supporting the need to switch pricing models. The more the company reduced its labor hours, the more its burden rate went up—meaning the company was actually getting penalized for its success in implementing Lean practices. To avoid that dilemma and remain competitive, Simmons switched from cost-plus pricing to a market pricing model. The impact on sales, products, and jobs has been significant. The company also participated in a series of Lean trainings to improve efficiency and decrease costs, including the Principles of Lean Manufacturing, Value Stream Mapping, the 5S System and Lean Six Sigma.

"To be a really, truly Lean company, not only does a manufacturer's production need to be Lean, our pricing policy and product development need to be Lean."

-David Davis, President

RESULTS



Sales impact: **\$5.5 million**



Jobs impact: **95**



Cost-savings: **\$100,000**



Products: **\$50,000**



Other financial impacts:
\$640,780

CONTACT US



625 Broadway
ESD, Division of Science,
Technology & Innovation
(NYSTAR)
Albany, NY 12245



(518)292-5729



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